Nova Scotia Annual Gaming Report 2014 - 2015

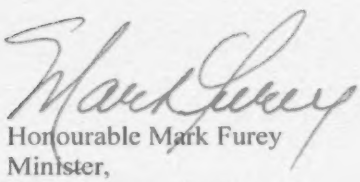
NOVA SCOTIA

Dear Reader:

Presented herewith is the *Annual Gaming Report*, pursuant to Section 56 of the *Gaming Control Act*, for the year ending March 31, 2015.

The *Annual Gaming Report* covers the activities of the Alcohol, Gaming, Fuel and Tobacco Division relative to the gaming industry during the 2014/2015 fiscal year, and explains its working mandate received from my responsibility pursuant to Part II of the *Gaming Control Act* for "regulating casinos and other lottery schemes and for administering this Part in the public interest and in accordance with the principles of honesty and integrity."

Yours truly,



Honourable Mark Furey
Minister,
Service Nova Scotia

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ABOUT THE DIVISION

Mandate

Pursuant to Section 40 of the *Gaming Control Act*, the Minister of Service Nova Scotia is "responsible for regulating casinos and other lottery schemes and for administering this Part in the public interest and in accordance with the principles of honesty and integrity." On behalf of the Minister, the Alcohol, Gaming, Fuel and Tobacco Division (the "Division") licenses and monitors the conduct of casinos, bingos, lotteries and other games of chance (except harness racing), to ensure that these games are carried out in the best social and economic interests of Nova Scotians.

Workforce

With its head office located in Dartmouth, and a regional office in Sydney, the Alcohol, Gaming, Fuel and Tobacco Division maintains a workforce around the province.

CORE FUNCTIONS

Registration and Licensing

Pursuant to the *Gaming Control Act*, the Nova Scotia Alcohol, Gaming, Fuel and Tobacco Division registers individuals and companies who supply goods and services to regulated gaming activities. During the 2014/2015 fiscal year, the Division's registry consisted of a total of 150 casino gaming, casino non-gaming, and bingo suppliers, compared to 143 in 2013/2014.

The Division also conducts security checks on personnel related to the gaming industry, including all casino staff, employees of the Nova Scotia Provincial Lotteries and Casino Corporation, and the Alcohol, Gaming, Fuel and Tobacco Division. Different levels of security clearances are applied, depending on one's position in an organization or the type of service one provides (e.g., suppliers of actual gambling equipment are held to a higher degree of scrutiny than the suppliers of non-gaming related supplies such as restaurant equipment). In 2014/2015, the Division conducted security checks on 130 new and 120 renewal casino employees, compared to 115 new and 135 renewal casino employees in 2013/2014. Furthermore, the Division conducted security checks on 16 ticket lottery suppliers to the Atlantic Lottery Corporation (ALC) in 2014/2015.

The Alcohol, Gaming, Fuel and Tobacco Division issues gaming licenses to organizations that raise funds for charitable purposes, including bingos, ticket lotteries (prize value over $500), and carnival games of chance. In addition, permits are issued for ticket lotteries with a prize value of less than $500. Licenses are issued in accordance with the provisions of the applicable regulations and policies, as established by the Alcohol, Gaming, Fuel and Tobacco Division.

Gaming Registration Issuance	2014/2015	2013/2014
Casino Registrations		
Gaming supplier	8	16
Non-gaming supplier - exemption	130	112
Non-gaming supplier	7	10
Bingo Registrations		
Bingo supplier	5	5
ALC Registrations		
Lottery Equipment Suppliers	16	9
TOTAL	166	152

Series bingo and ticket lottery licenses are issued to organizations wishing to carry on a series of regular events. Single licenses are issued for individual events. Games of chance events include commercial carnivals, fun-night Monte Carlo events, and games conducted during annual fairs and exhibitions.

Gaming License Active	2014/2015	2013/2014
Bingo (Series + Single + Manor)	460	523
Ticket Lottery License	1,257	1,268
Ticket Lottery Permit	5,198	5,215
Break-open	87	87
Games of chance/carnival	87	100
TOTAL	7,089	7,193

Investigation and Enforcement

Investigation and Enforcement regularly inspects licensed premises to ensure that gaming activities comply with the applicable regulations. For example, video lottery play is checked for underage play and credit granting, and bingos are checked for such things as the proper use of bingo operating equipment. Furthermore, Investigation and Enforcement staff conduct inspections at the two casinos to ensure compliance with casino regulations and detailed internal control procedures. Investigation and Enforcement has a staff complement located throughout the province.

The gaming analyst section of Investigation and Enforcement conducts regular as well as random testing of casino slot machine software to ensure each machine is compliant with the legislated minimum payout percentage, as well as other requirements. The section also monitors payout percentages for video lottery terminals (VLTs) in liquor licensed premises in the province.

Investigation and Enforcement is also responsible for reviewing and making recommendations with respect to all approval requests from the casino operator pertaining to:

- casino surveillance and security systems,
- permitted games of chance played in casinos,
- rules of play, and
- slot machine installations, modifications, removals and relocations.

PROVINCIAL GAMING ACTIVITY

Overview

The Nova Scotia Alcohol, Gaming, Fuel and Tobacco Division is responsible for the regulation of legal gaming in this province. These gaming activities include video lottery terminals (VLTs), casinos, Atlantic Lottery Corporation (ALC) products, charitable bingo and charitable ticket lotteries.

For the purpose of measuring the volume of gaming activities on a consistent basis, the Alcohol, Gaming, Fuel and Tobacco Division uses the "wager" as a base unit. This figure represents the amount of money actually wagered on each gaming activity before prizes are awarded, operating expenses are deducted, and other assorted expenditures are accounted for. The wager for each type of gaming activity is defined in the following manner:

- cash deposited when referring to VLTs;
- cash deposited and value of tickets inserted into casino slot machines plus the chips purchased for table games when referring to casinos;
- cash paid for the purchase of bingo cards when referring to bingo; and
- cash paid for the purchase of tickets when referring to ticket lotteries.

Fiscal Year 2014/2015

Total gaming wager in the province decreased by 0.8 per cent in 2014/2015 to $1.310 billion, from $1.320 billion in 2013/2014. Prizes of $1.002 billion in 2014/2015 were down from $1.017 billion in 2013/2014, and accounted for 76.5 per cent of the total wager. Net gaming revenue amounted to $308 million in 2014/2015, up 1.3 per cent from $304 million in 2013/2014.

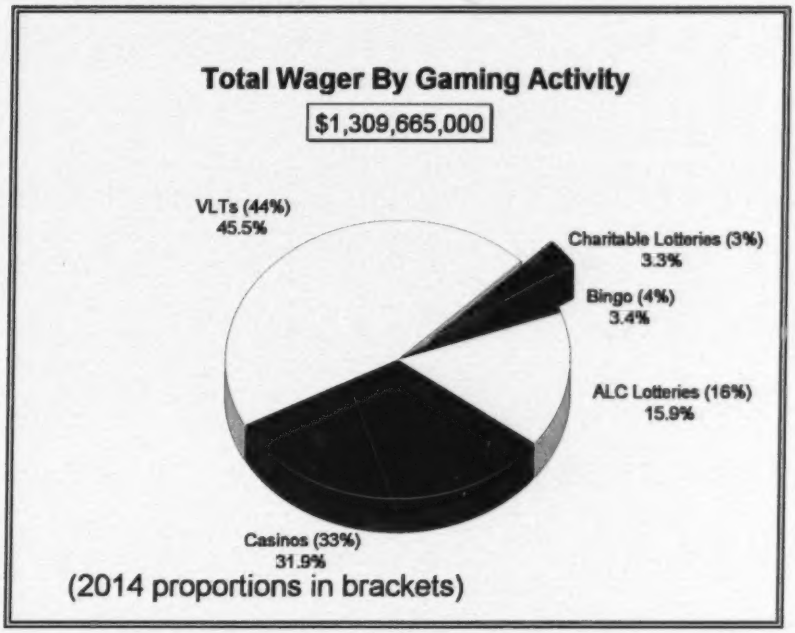
Total Wager By Gaming Activity
($ thousands)

	2015	2014	Change
VLTs	$595,979	$586,659	1.6%
Casinos	417,079	433,857	-3.9%
ALC Lotteries	208,528	217,537	-4.1%
Bingo	44,569	47,455	-6.1%
Charitable Lotteries	43,510	34,997	24.3%
Total Wager	$1,309,665	$1,320,505	-0.8%
Prizes	1,001,883	1,016,693	-1.5%
Net Revenue	**$307,782**	**$303,812**	**1.3%**

The VLT wager increased by 1.6 per cent to $596.0 million, from $586.7 million in 2013/2014. Casino wager fell 3.9 per cent to $417.1 million in 2014/2015, from $433.9 million last year. Wagers for ALC lotteries dropped 4.1 per cent to $208.5 million in 2014/2015, while wagers for charitable lotteries increased 24.3 per cent to 43.5 million. Bingo wager dropped 6.1 per cent to $44.6 million in 2014/2015, from $47.5 million last year.

The proportion of total wager accounted for by VLTs was 45.5 per cent in 2014/2015, up from 44.4 per cent in 2013/2014. The proportion of total wager for casinos was 31.9 per cent, down from

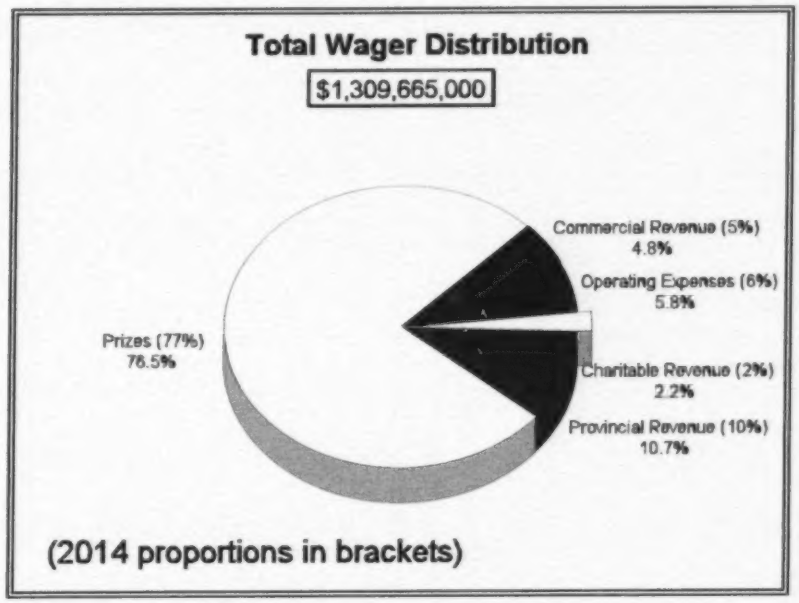
32.9 in 2013/2014. The proportion of total wager spent on ALC lotteries represented 15.9 per cent of total wager, while bingos and charitable lotteries accounted for 3.4 and 3.3 per cent respectively.



Provincial revenue from gaming increased 0.6 per cent on a year over year basis, to $140.0 million in 2014/2015, compared to $139.2 million last year, and accounted for 10.7 per cent of the total wager. Commercial revenue fell 2.9 per cent to $62.7 million in 2014/2015, from $64.6 million in 2013/2014. Operating expenses increased 2.8 per cent to $76.7 million, from $74.6 million last year. At $28.3 million, charitable revenue was up 11.7 per cent from $25.3 million the year before.

Total Wager Distribution
($ thousands)

	2015	2014	Change
Total Wager	$1,309,665	$1,320,505	-0.8%
Prizes	1,001,883	1,016,693	-1.5%
Net Revenue	$307,782	$303,812	1.3%
Operating Expenses	76,720	74,627	2.8%
Commercial Revenue	62,743	64,630	-2.9%
Charitable Revenue	28,309	25,351	11.7%
Provincial Revenue	**$140,010**	**$139,204**	**0.6%**



Video Lottery Terminals

In 2014/2015, VLT wager rose 1.6 per cent to $596.0 million, from $586.7 million in 2013/2014. The VLT wager accounted for 45.5 per cent of the total provincial gaming wager in 2014/2015, up from 44.4 per cent in 2013/2014.

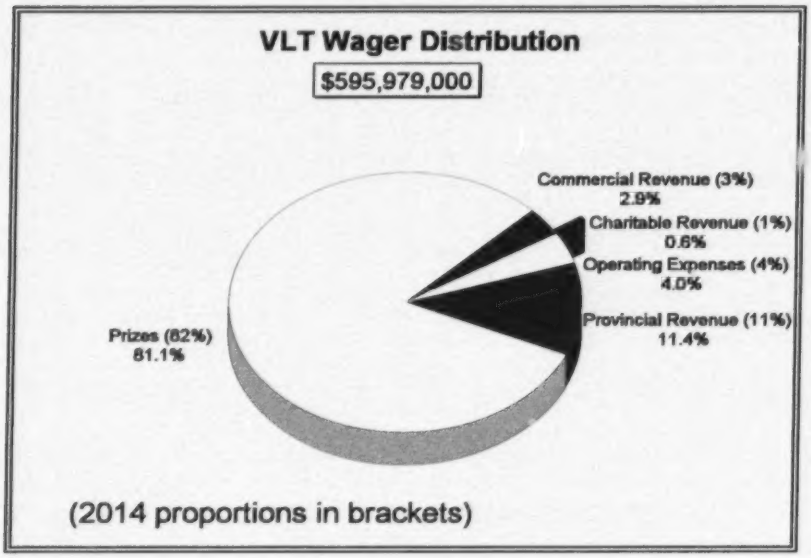
Prize payouts from VLTs totalled $482.9 million in 2014/2015, an increase of 0.5 per cent from the previous year, and represented 81.1 per cent of the total VLT wager.

VLT Wager Distribution
($ thousands)

	2015	2014	Change
Total Wager	$595,979	$586,659	1.6%
Prizes	482,936	480,772	0.5%
Net Revenue	$113,043	$105,887	6.8%
Operating Expenses	23,919	21,561	10.9%
Commercial Revenue	17,248	16,426	5.0%
Charitable Revenue	3,785	3,740	1.2%
Provincial Revenue	**$68,091**	**$64,160**	**6.1%**

At $3.8 million, charitable revenue from VLTs was up 1.2 per cent from the previous year. Similarly, commercial revenue increased 5.0 per cent to $17.2 million, from $16.4 million in 2013/2014. During the same period, operating expenses rose 10.9 per cent to $23.9 million, from $21.6 million in 2013/2014.

Provincial revenue from VLTs rose 6.1 per cent to $68.1 million in 2014/2015, compared to $64.2 million last year. Provincial revenue represented 11.4 per cent of total VLT wager in 2014/2015, compared to 10.9 per cent the year before.


VLT Wager Distribution
$595,979,000
Commercial Revenue (3%)
2.9%
Charitable Revenue (1%)
0.6%
Operating Expenses (4%)
4.0%
Provincial Revenue (11%)
11.4%
Prizes (82%)
81.1%
(2014 proportions in brackets)

Casinos

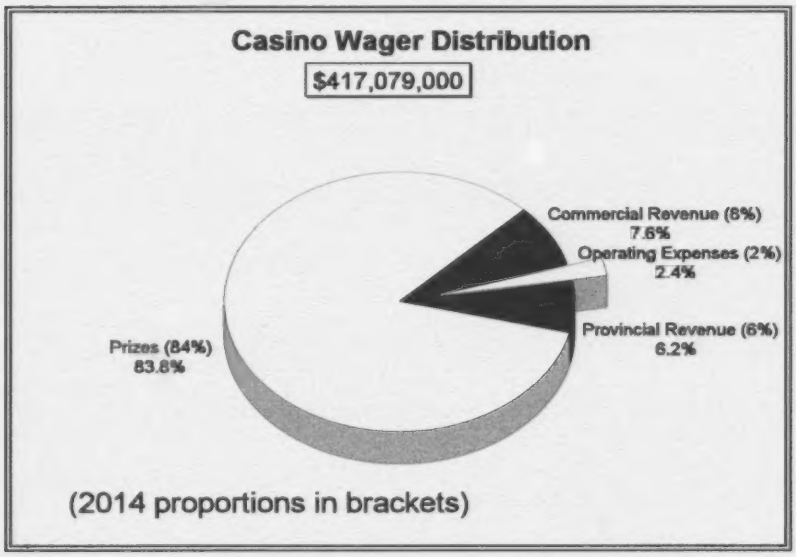
At $417.1 million, the wager at Nova Scotia's Halifax and Sydney casinos this year was down 3.9 per cent from $433.9 million in 2013/2014. Casino wager accounted for 31.9 per cent of the total provincial wager in 2014/2015, compared to 32.9 per cent the year before.

Prize payouts at the casinos decreased 3.5 per cent to $349.6 million this year, representing 83.8 per cent of the total casino wager. Provincial revenue from casino operations dropped 6.2 per cent to $25.8 million in 2014/2015, from $27.5 million in 2013/2014.

Casino Wager Distribution
($ thousands)

	2015	2014	Change
Total Wager	$417,079	$433,857	-3.9%
Prizes	349,619	362,397	-3.5%
Net Revenue	$67,460	$71,460	-5.6%
Operating Expenses	9,829	9,843	-0.1%
Commercial Revenue	31,806	34,091	-6.7%
Provincial Revenue	**$25,825**	**$27,526**	**-6.2%**

Commercial revenue dropped 6.7 per cent to $31.8 million in 2014/2015, while operating expenses were essentially unchanged on a year over year basis, at $9.8 million in 2014/2015.



Casino Nova Scotia

	Halifax		Sydney	
	2015	**2014**	**2015**	**2014**
Wager ($ millions)	$315.0	$329.7	$102.1	$104.1
Revenue to Province ($ millions)	$18.4	$19.9	$7.4	$7.7
Gaming Floor Area (sq. ft.)	34,000	34,000	11,100	11,100
Employees	321	345	124	128
Visitors	836,739	921,281	301,335	310,931
Slot Machines	553	541	276	276
Table Games	32	31	11	11

ALC Lotteries

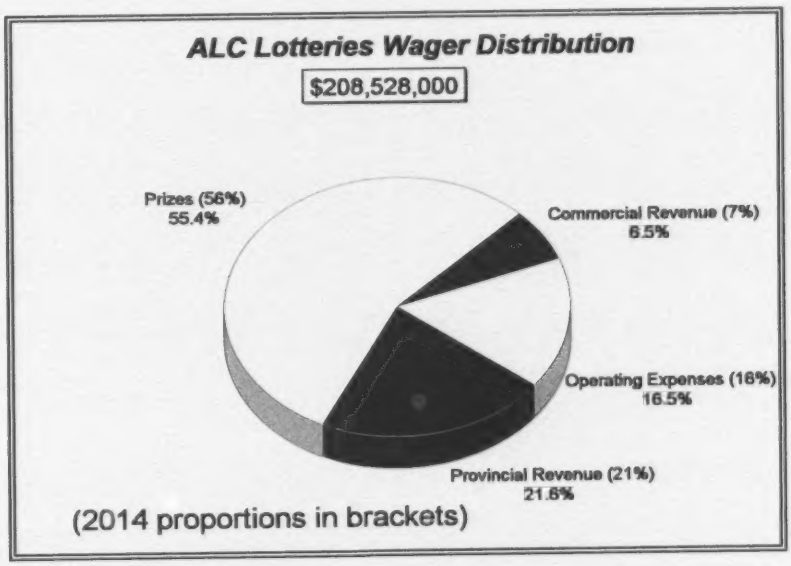
At $208.5 million, total wager for ALC lotteries decreased 4.1 per cent in 2014/2015, from $217.5 million a year ago. ALC lotteries accounted for 15.9 per cent of the total provincial wager this year, down from 16.5 per cent in 2013/2014.

Prizes paid out for ALC lotteries in 2014/2015 decreased to $115.5 million, from $121.6 million last year. Prizes represented 55.4 per cent of total ALC lotteries wager in 2014/2015.

ALC Lotteries Wager Distribution
($ thousands)

	2015	2014	Change
Total Wager	$208,528	$217,537	-4.1%
Prizes	115,483	121,650	-5.1%
Net Revenue	$93,045	$95,887	-3.0%
Operating Expenses	34,347	35,297	-2.7%
Commercial Revenue	13,689	14,113	-3.0%
Charitable Revenue	62	64	-3.1%
Provincial Revenue	**$44,947**	**$46,413**	**-3.2%**

Operating expenses of $34.3 million for ALC lotteries in Nova Scotia in 2014/2015 decreased 2.7 per cent from $35.3 million in 2013/2014. Commercial revenue of $13.7 million in 2014/2015 was down 3.0 per cent from $14.1 million last year. Revenue to charities decreased 3.1 per cent to $62 thousand in 2014/2015, from $64 thousand in 2013/2014. Provincial revenue from ALC lotteries fell 3.2 per cent to $44.9 million, from $46.4 million last year.


ALC Lotteries Wager Distribution
$208,528,000
Prizes (56%)
55.4%
Commercial Revenue (7%)
6.5%
Operating Expenses (16%)
16.5%
Provincial Revenue (21%)
21.6%
(2014 proportions in brackets)

Charitable Bingo

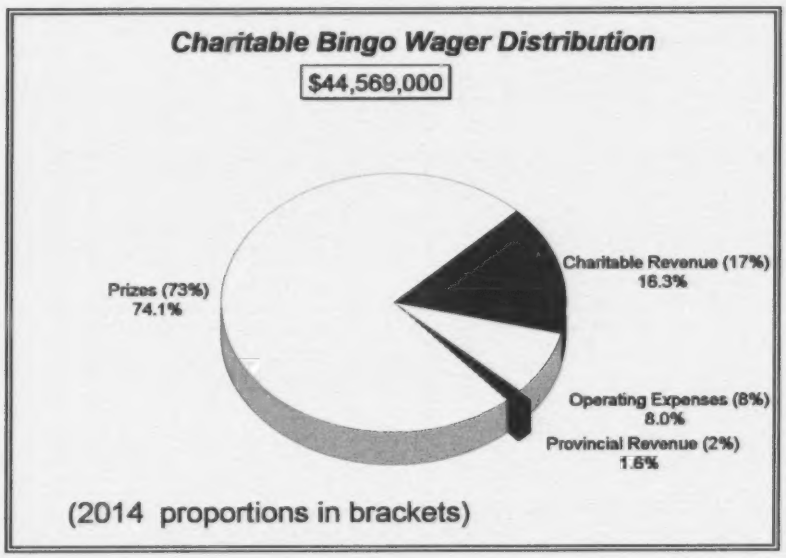
Total charitable bingo wager decreased 6.1 per cent to $44.6 million in 2014/2015, from $47.5 million last year. Charitable revenue fell 13.4 per cent to $7.2 million, from $8.4 million last year.

Bingo prizes amounted to $33.1 million in 2014/2015, and accounted for 74.1 per cent of the total charitable bingo wager. The prize value awarded this year was down 4.9 per cent from $34.7 million in 2013/2014.

Charitable Bingo Wager Distribution
($ thousands)

	2015	2014	Change
Total Wager	$44,569	$47,455	-6.1%
Prizes	33,057	34,742	-4.9%
Net Revenue	$11,512	$12,713	-9.4%
Operating Expenses	3,558	3,603	-1.2%
Charitable Revenue	7,250	8,370	-13.4%
Provincial Revenue	**$704**	**$740**	**-4.9%**

In the 2014/2015 fiscal year, financial reports were received from 203 bingo licensees, compared to 208 licensees in 2013/2014. In 2014/2015, 50.2 per cent of the 203 bingo licensees had gross receipts under $150,000, and generated 19.1 per cent of the total charitable bingo wager. Conversely, 18.2 per cent of charitable bingos had gross receipts exceeding $300,000, and yielded 50.1 per cent of the total charitable bingo wager.



In 2014/2015, there were 34 media bingos (TV or radio bingo) that generated $7.0 million in wagers, compared to 36 last year with the same total wager. Charitable revenue from media bingos amounted to $2.5 million this year, the same as in 2013/2014.

Charitable Bingo Licensees Grouped By Wager

Category	Licensees	%	Wager ($ thousands)	%
$0-50,000	21	10.3%	$631	1.4%
50,000-100,000	45	22.1%	3,337	7.5%
100,000-150,000	36	17.7%	4,544	10.2%
150,000-200,000	25	12.3%	4,346	9.8%
200,000-250,000	25	12.3%	5,566	12.5%
250,000-300,000	14	6.9%	3,802	8.5%
300,000-500,000	23	11.3%	8,448	19.0%
500,000-1,000,000	10	4.9%	6,743	15.1%
$1,000,000+	4	1.9%	7,152	16.0%
TOTALS	**203**	**100.0%**	**$44,569**	**100.0%**

Charitable Bingo Licensees Grouped By Net Profits

		Licensees By Net Profit			Average
Category	Licensees	<0%	0-15%	>15%	Net Profit
$0-50,000	21	5	9	7	6.1%
50,000-100,000	45	6	22	17	14.1%
100,000-150,000	36	5	21	10	7.8%
150,000-200,000	25	2	9	14	20.1%
200,000-250,000	25	3	11	11	18.0%
250,000-300,000	14	0	10	4	16.3%
300,000-500,000	23	0	11	12	21.3%
500,000-1,000,000	10	0	5	5	18.9%
$1,000,000+	4	0	4	0	11.5%
TOTALS	**203**	**21**	**102**	**80**	**16.3%**

Charitable Ticket Lotteries

The wager on charitable ticket lotteries was $43.5 million in 2014/2015, up 24.3 per cent from $35.0 million last year.

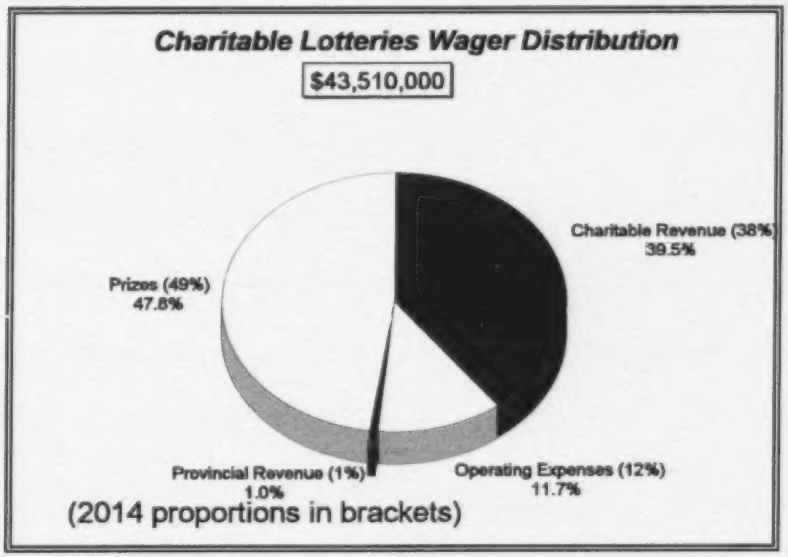
Prizes awarded in charitable ticket lotteries increased 21.3 per cent to $20.8 million in 2014/2015, and accounted for 47.8 per cent of total charitable ticket lotteries wager.

Charitable revenue rose 30.6 per cent to $17.2 million this year, from $13.2 million in 2013/2014. Provincial revenue amounted to $443 thousand this year, up 21.4 per cent from $365 thousand last year. Charitable revenue represented 39.5 per cent of total charitable ticket lotteries wager, while the province realized 1.0 per cent.

At $5.1 million, operating expenses for charitable ticket lotteries this year increased 17.2 per cent from $4.3 million in 2013/2014. Operating expenses accounted for 11.7 per cent of the total charitable ticket lottery wager in 2014/2015.

Charitable Lotteries Wager Distribution
($ thousands)

	2015	2014	Change
Total Wager	$43,510	$34,997	24.3%
Prizes	20,788	17,132	21.3%
Net Revenue	$22,722	$17,865	27.2%
Operating Expenses	5,067	4,323	17.2%
Charitable Revenue	17,212	13,177	30.6%
Provincial Revenue	**$443**	**$365**	**21.4%**



In 2014/2015, financial reports were received from 1,297 charitable ticket lottery licensees, compared to 1,127 last year. Of the 1,297 charitable ticket lotteries, 1,198 (92.4 per cent) reported ticket sales of $50 thousand or less. Conversely, 20 (1.5 per cent) ticket lotteries reported sales of over $300 thousand, totalling $27.7 million (63.7 per cent) of the total charitable ticket lotteries wager.

Charitable Lotteries Licensees Grouped By Wager

Category	Licensees	%	Wager ($ thousands)	%
$0-50,000	1,198	92.4%	$8,176	18.8%
50,000-100,000	52	4.0%	3,622	8.3%
100,000-150,000	18	1.4%	2,185	5.0%
150,000-200,000	6	0.5%	1,033	2.4%
200,000-250,000	1	0.1%	227	0.5%
250,000-300,000	2	0.2%	529	1.2%
300,000-500,000	7	0.5%	2,580	5.9%
500,000-1,000,000	7	0.5%	5,774	13.3%
$1,000,000+	6	0.5%	19,384	44.6%
TOTALS	**1,297**	**100.0%**	**$43,510**	**100.0%**

Province	**CANADIAN JURISDICTIONAL GAMING COMPARISON** Agencies Involved	Casinos	VLTs	Internet
NL	**Service Newfoundland, Consumer Affairs Division** Atlantic Lottery Corporation		✔	✔
PE	**PEI Lotteries Commission** Department of Environment, Labour and Justice, Consumer Services Division Atlantic Lottery Corporation	✔	✔	✔
NS	**NS Alcohol, Gaming, Fuel & Tobacco Division** Nova Scotia Provincial Lotteries and Casino Corporation Atlantic Lottery Corporation	✔	✔	✔
NB	**New Brunswick Gaming Control Branch** NB Lotteries and Gaming Corporation Atlantic Lottery Corporation	✔	✔	✔
QC	**Régie des alcools, des courses et des jeux** Loto-Québec	✔	✔	
ON	**Alcohol and Gaming Commission of Ontario** Ontario Lottery and Gaming Corporation	✔		
MB	**Manitoba Gaming Control Commission** Manitoba Lotteries Corporation	✔	✔	
SK	**Saskatchewan Liquor and Gaming Authority** Saskatchewan Gaming Corporation Saskatchewan Indian Gaming Authority	✔	✔	
AB	**Alberta Gaming and Liquor Commission** Alberta Gaming Research Council	✔	✔	
BC	**BC Gaming Policy and Enforcement Branch** British Columbia Lottery Corporation	✔		✔
NT	**Consumer Services, Community Operations**			
YT	**Department of Consumer Services, Consumer Services Branch** Yukon Lottery Commission	✔		
NU	**Department of Community and Government Services, Consumer Affairs Section**			

Service Nova Scotia
Alcohol, Gaming, Fuel and Tobacco Division

Halifax Regional Municipality

780 Windmill Road, 2nd Floor
PO Box 545
Dartmouth NS B2Y 3Y8

Telephone: 902-424-6160
Toll Free: 1-877-565-0556
Fax: 902-424-6313

Cape Breton Regional Municipality

1030 Upper Prince Street, Suite 1
Sydney NS B1P 5P6

Telephone: 902-563-3495
Toll Free: 1-877-565-0556
Fax: 902-563-3430

http://novascotia.ca/sns/access/alcohol-gaming.asp

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